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SUBJECT: GUATEMALA: MILITARY MODERNIZATION NEEDED

¶1. (SBU) Summary: The Guatemalan military faces increasing challenges in operating and maintaining its aging equipment. The Guatemalan military has a modernization plan but no funding to support the plan. The GOG stipulated that modernization funding must come from either sale of military properties or international donations; neither of these sources has proven to be viable. The Guatemalan military's ability to fully execute counternarcotics and peacekeeping missions will continue to be hindered by a lack of military modernization. End Summary.

¶2. (SBU) The Guatemalan military suffers from an inventory of aging and obsolete equipment in its ground, air, and naval forces. Operational readiness rates for its equipment are very poor due to lack of funding for operations and maintenance. The military also has little funding for procurement of spare parts, which in many cases are expensive or even non-existent because of the age of the equipment. For example, of the six UH-1H and Bell 212 helicopters in the Guatemalan Air Force inventory, only two are currently operational. All three of the Air Force's A-37 ground attack aircraft are currently grounded due to a lack of parts. The Guatemalan Navy shares some of the Air Force's readiness problems but is even more handicapped by a lack of funds to pay for fuel costs. The lower-tech ground forces are less constrained but the Army's truck fleet is dilapidated because of a lack of spare parts and maintenance funds.

¶3. (U) To address these issues, the Guatemalan military developed last year a detailed four-year procurement plan for 1.08 billion quetzales (approximately 144 million dollars). 85 percent of the spending was destined for mobility purposes (primarily purchase of aircraft and boats) and 4 percent for communications, with remaining funding for expenses not related to purchase of new equipment. For calendar year 2005, the plan proposed the expenditure of 232 million quetzales (approximately 31 million dollars) to purchase six helicopters, four 86-foot boats, a light aircraft, and communications gear. None of this equipment was purchased, however, due to lack of funding.

¶4. (U) The Berger Administration agreed in 2004 that the Defense Ministry allocation in the GOG budget should include 0.10 percent of the GDP for military modernization during a four year period to begin in 2005 and end in 2008. In 2006, this would have been approximately \$30 million. In principle, funding for military modernization would be derived principally from the sale of Defense Ministry properties and financing through international assistance (i.e. soft loans and donations).

¶5. (U) Initial military hopes of gaining funding through the sale of properties quickly dimmed, because the GOG

transferred many surplus military properties to municipalities and other government entities, and because of legal controversy surrounding many military properties. An interagency commission determined that the military possessed 442 properties, of which 60 could possibly be sold. However, critics have claimed that, of the 60 properties identified for possible sale, ownership of 50 is in dispute. The Defense Ministry strongly denied this charge, asserting that military properties that belonged to other institutions or individuals have been returned to their rightful owners.

¶6. (SBU) In 2004, the Guatemalan military sought donations of excess defense articles from the German Government. This approach petered out in 2005 for various reasons, including a requirement for Guatemala to pay for transportation costs of surplus equipment and the change in governments in Germany in the fall of 2005. During the same time, a Russian offer to reequip the Guatemalan military on very favorable economic terms drew interest from some quarters of the Guatemalan military, most notably the then commander of the Air Force. Concerns about the apparently too-good-to-be-true financial terms and the bad Russian reputation for maintenance and spare parts support, together with a lack of follow through on the Russian side, led the Russian proposal to fall out of favor with the Guatemalan military.

¶7. (SBU) Comment: In order to effectively use scarce defense funding, the Guatemalan military needs more modern platforms that are economical to operate. Without such modernization, the Guatemalan military will be handicapped in efforts to participate in counternarcotics and international peacekeeping operations. Guatemalan military plans to finance at least part of its modernization with reimbursement funding from participation in UN peacekeeping operations were superseded by the need to fund operations expenses in support of the civilian police. Release of \$3.2 million in frozen USG MAP funds to buy spare parts and communications gear, along with U.S. donations of excess defense articles will make up some of the shortcomings, but the Guatemalan military will continue to suffer from the constraints of aging and obsolete equipment until it finds an internal or external mechanism for funding replacement of its equipment.

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